

July 1, 2025

Will Seuffert
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce**
Docket No. G011/D-25-249

Dear Mr. Seuffert:

Attached are the comments of the Minnesota Department of Commerce (the Department) in the following matter:

*Minnesota Energy Resources Corporation Annual Review of Depreciation
Rates for 2025.*

The Petition was filed by Minnesota Energy Resources Corporation on June 2, 2025.

The Department recommends **approval** and is available to answer any questions the Minnesota Public Utilities Commission (Commission) may have.

Sincerely,

/s/ Dr. Sydnie Lieb
Assistant Commissioner of Regulatory Analysis

LB/CA/ad
Attachment



Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce

Docket No. G011/D-25-249

I. INTRODUCTION

On June 2, 2025, Minnesota Energy Resources Corporation (MERC or the Company) filed a petition (Petition) with the Minnesota Public Utilities Commission (Commission) requesting approval of its proposed depreciation rates effective January 1, 2025. MERC's Petition is an annual update to its most recent comprehensive five-year depreciation study, filed in Docket No. G011/D-22-261 (the 2022 Depreciation Docket) and most recent annual depreciation study filed in Docket No. G011/D-24-209 (the 2024 Depreciation Docket).

As indicated in Attachment 1 to MERC's Petition, applying the proposed depreciation rates to the plant and reserve balances as of December 31, 2024, would result in an estimated 2025 annual depreciation expense of \$21,274,602- an increase of \$183,512, or 0.87 percent, compared to the expense under current depreciation rates.¹ The proposed depreciation parameters would yield a total utility depreciation accrual rate of 2.50 percent, which is nearly equal to the currently approved depreciation parameters (2.48 percent).²

The Department examined MERC's Petition for compliance with filing requirements and previous Commission Orders, as well as for the reasonableness of the proposed remaining lives, salvage rates, and depreciation rates, and provides its analysis of MERC's Petition below.

II. PROCEDURAL BACKGROUND

June 2, 2025	Minnesota Energy Resources Corporation filed Petition for approval of their 2025 Annual Depreciation Rates.
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III. DEPARTMENT ANALYSIS

A. COMPLIANCE WITH MINNESOTA RULES AND PRIOR COMMISSION ORDERS

A.1. Compliance with Minnesota Rules

Minnesota Rules, parts 7825.0500-7825.0900 require public utilities to seek Commission certification of their depreciation rates and methods. Utilities must use straight-line depreciation unless the utility can justify a different method as reasonable and proper. Additionally, utilities must review their depreciation rates annually to determine if they are generally appropriate and must file depreciation

¹ Petition, Attachment 1.

² Ibid.

studies at least once every five years. Once certified by order, depreciation rates remain in effect until the next certification.

MERC employs a straight-line depreciation method and files annual depreciation studies with the Commission, and thus complies with those requirements. Additionally, MERC has used the depreciation rates from the 2024 Depreciation Docket to calculate 2024 depreciation expense.

The Department reviewed MERC's compliance with Minnesota Rules and concludes that MERC has reasonably complied with Minnesota Rules, parts 7825.0500-7825.0900.

A.2. Compliance with Prior Commission Order in Docket No. G011/D-19-377

The Commission's January 8, 2020, Order (January Order) in Docket No. G011/D-19-377 (the 2019 Depreciation Docket) required MERC to depreciate its Rosemount, Rochester, Cloquet, and Albert Lea Service Centers individually within Account 390, Structures and Improvements, and depreciate the other 18 buildings in account 390 as members of the minor buildings subaccount. The Department reviewed MERC's Petition and concludes the Company complied with this requirement.

In addition, the Commission's January Order required the Company, in future depreciation filings, to identify new or existing buildings that exceed a threshold total book value so those buildings can be considered for individual depreciation, rather than being included in the Minor buildings group subaccount of Plant Account 390. In its Petition, the Company stated it did not identify any buildings that meet this requirement.³ Therefore, the Department concludes the Company complied with this requirement.

B. REASONABLENESS OF PROPOSED AVERAGE SERVICE LIVES, SALVAGE RATES, REMAINING LIVES, AND IMPACT ON RESULTING DEPRECIATION RATES

The average service lives and salvage rates proposed in the Petition are unchanged from those approved in the 2019 Depreciation Docket, MERC's most recent comprehensive depreciation study. The Department concludes those depreciation parameters continue to be reasonable.

Generally, a plant account's remaining life is a function of its average service life, assumed survivor curve, and the age of property in the account, which is tracked by vintage. Thus, even when an account's assumed average service life does not change, plant additions can lengthen the account's remaining life, as the new property will be expected to survive longer than older property in the account. Similarly, retirements of older property in an account can also lengthen the account's remaining life, as the weighted average age of the property in the account would decrease. Barring any changes in the age makeup of property in an account, its remaining life would be expected to decrease by approximately one year from one depreciation study to the next if the account's average service life

³ Petition at 6.

does not change.⁴ In its Petition, MERC proposed updated remaining lives that reflect the passage of time as well as plant activity (additions, retirements, transfers, etc.) in its accounts. As a result, MERC's proposed depreciation rates have changed slightly. MERC's present and proposed accrual rates and depreciation expense is summarized in the following table:⁵

Function	Accrual Rate				2025 Annualized Accrual		
	Proposed	Present	Difference		Proposed	Present	Difference
Transmission	2.11%	2.12%	-0.01%		\$ 178,012	\$ 178,507	\$ (495)
Distribution	2.43%	2.40%	0.03%		\$ 19,594,365	\$ 19,395,331	\$ 199,034
General	4.33%	4.37%	-0.04%		\$ 1,502,225	\$ 1,517,252	\$ (15,027)
Total Utility	2.50%	2.48%	0.02%		\$ 21,274,602	\$ 21,091,090	\$ 183,512

The Department reviewed MERC's proposed remaining lives and concludes for all property accounts that they are reasonable. The Department also concludes MERC's proposed depreciation accrual rates, which are in part a function of the accounts' remaining lives, are also reasonable.

IV. DEPARTMENT RECOMMENDATIONS

The Department recommends the Commission:

- approve the depreciation parameters and rates proposed in MERC's Petition, effective January 1, 2025;
- require MERC to file its next annual depreciation study by June 1, 2026; and
- require MERC to file its next five-year depreciation study by June 1, 2027.

The Department emphasizes that the Commission's determination in depreciation proceedings are for accounting purposes only and are not a determination for purposes of rates.

⁴ Due to the probabilistic nature of the remaining life calculation, the remaining life of an account that has had no additions, retirements, transfers, etc., would be expected to decline by less than one year.

⁵ Petition Attachment 1.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. G011/D-25-249

Dated this 1st day of **July 2025**

/s/Sharon Ferguson

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
1	Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP		50 S 6th St Ste 1500 Minneapolis MN, 55402-1498 United States	Electronic Service		No	D-25-249
2	Generic	Commerce Attorneys	commerce.attorneys@ag.state.mn.us		Office of the Attorney General - Department of Commerce	445 Minnesota Street Suite 1400 St. Paul MN, 55101 United States	Electronic Service		Yes	D-25-249
3	Sharon	Ferguson	sharon.ferguson@state.mn.us		Department of Commerce	85 7th Place E Ste 280 Saint Paul MN, 55101-2198 United States	Electronic Service		No	D-25-249
4	Daryll	Fuentes	energy@usg.com	USG Corporation		550 W Adams St Chicago IL, 60661 United States	Electronic Service		No	D-25-249
5	Joylyn C	Hoffman Malueg	joylyn.hoffmanmalueg@wecenergygroup.com	Minnesota Energy Resources		2685 145th St W Rosemount MN, 55068 United States	Electronic Service		No	D-25-249
6	Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP		33 South Sixth St Ste 4200 Minneapolis MN, 55402 United States	Electronic Service		No	D-25-249
7	Catherine	Phillips	catherine.phillips@wecenergygroup.com	Minnesota Energy Resources		231 West Michigan St Milwaukee WI, 53203 United States	Electronic Service		No	D-25-249
8	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	D-25-249
9	Elizabeth	Schmiesing	eschmiesing@winthrop.com	Winthrop & Weinstine, P.A.		225 South Sixth Street Suite 3500 Minneapolis MN, 55402 United States	Electronic Service		No	D-25-249
10	Will	Seuffert	will.seuffert@state.mn.us		Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul MN, 55101 United States	Electronic Service		Yes	D-25-249
11	Richard	Stasik	richard.stasik@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)		231 West Michigan St - P321 Milwaukee WI, 53203	Electronic Service		No	D-25-249

#	First Name	Last Name	Email	Organization	Agency	Address	Delivery Method	Alternate Delivery Method	View Trade Secret	Service List Name
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12	Kristin	Stastny	kstastny@taftlaw.com	Taft Stettinius & Hollister LLP		2200 IDS Center 80 South 8th Street Minneapolis MN, 55402 United States	Electronic Service		No	D-25-249
13	Tina E	Wuyts	tina.wuyts@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)		PO Box 19001 700 N Adams St Green Bay WI, 54307-9001 United States	Electronic Service		No	D-25-249